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FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/07
 SPONSOR Rodella LAST UPDATED 2/10/07 HB _____
 SHORT TITLE Fire Protection Grant Fund Transfers SB 515
 ANALYST Earnest

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
(\$4,920.0)	(\$7,380.0)	(\$9,840.0)	Recurring	General Fund
\$4,920.0	\$7,380.0	\$9,840.0	Recurring	Fire Protection Grant Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates House Bill 466

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 515 would phase-out over nine years the transfer of balances in the fire protection fund (FPF) to the general fund. SB 515 would distribute annually increasing amounts of the Fire Protection Fund balances to the non-reverting, income-retaining fire protection grant fund, created in the 2006 session. The Fire Protection Grant Council would allocate money in the fund to fire districts through criteria they establish.

The bill also repeals section 59A-53-15, effectively changing the calculation of the fund balance.

FISCAL IMPLICATIONS

SB 515 proposes to eliminate the general fund reversion of the fire protection fund by fiscal year 2015. Over the years, the bill increases distributions to the fire protection grant fund to be distributed to fire districts by the grant council. Laws 2006, Chapter 103 (HB 497) set aside all

growth in the fire protection fund for distribution to fire districts. Thus, under current law, the maximum that can revert to the general fund is \$24.6 million as set in FY06. By fiscal year 2015, the grant council will be allocating this \$24.6 million to fire districts to improve fire protection. The following table shows the increase in the distribution to the grant fund and decrease in the general fund reversion.

	Fund Balance after Distributions and Appropriations	Percent	Grant Fund Distribution	General Fund Reversion
FY06 Actual Rev	\$ 24,600,000			
FY07	\$ 24,600,000	20%	\$ 4,920,000	\$ 19,680,000
FY08	\$ 24,600,000	30%	\$ 7,380,000	\$ 17,220,000
FY09	\$ 24,600,000	40%	\$ 9,840,000	\$ 14,760,000
FY10	\$ 24,600,000	50%	\$ 12,300,000	\$ 12,300,000
FY11	\$ 24,600,000	60%	\$ 14,760,000	\$ 9,840,000
FY12	\$ 24,600,000	70%	\$ 17,220,000	\$ 7,380,000
FY13	\$ 24,600,000	80%	\$ 19,680,000	\$ 4,920,000
FY14	\$ 24,600,000	90%	\$ 22,140,000	\$ 2,460,000
FY15	\$ 24,600,000	100%	\$ 24,600,000	\$ -
FY16	\$ 24,600,000	100%	\$ 24,600,000	\$ -

Current Law Reversions to General Fund (FY07-FY15)	Proposed Law Reversions to General Fund (FY07-FY15)	Difference
\$ 221,400,00	\$ 88,560,000	\$ 132,840,000

Distributions to the grant council will not be subject to legislative appropriation.

SIGNIFICANT ISSUES

The Fire Protection Fund receives insurance premium taxes paid to the state for property and vehicle insurance. Distributions to county and municipal fire districts are made from the fund by formula based on districts’ Insurance Service Office (ISO) ratings. In the 2006 session, those distributions were increased by about 40 percent. Any growth in the fund will be dedicated to distributions to county and municipal fire districts. The total amount collected for the fire protection fund in FY06 was about \$60 million. Assuming 2 percent growth in the fund, by FY15 the state will be distributing more than \$70 million per year to fire districts.

The 2003 Legislature approved a needs assessment study for the State Fire Marshal's Office which was completed in December 2005. The study is extensive and comprehensive and recommends an emphasis be placed on bringing ISO rated 9 and 10 county and city districts up to an 8 rating. According to DFA, the study found it would require \$56 million to accomplish this improvement. The reduction of the transfer to the general fund is about \$133 million over nine years, which may be more than required

Laws 2006, Chapter 103 (HB 497), created the Fire Protection Grant Fund. Due to a technical error in the bill, the section distributing monies to the grant fund was vetoed. This bill would make law the vetoed section.

According to PRC, the new fund is intended to make allocations approved by the grant fund council for the critical needs of municipal and county fire departments. The council would develop criteria for assessing the critical needs of the departments for fire apparatus and equipment, communications equipment, equipment for wildfires, fire station construction or expansion or equipment for hazardous material response.

Applications for grant assistance from the Fire Protection Grant Fund would be made by fire departments to the council in accordance with the requirements of the council. The council would develop needs criteria. It was anticipated that the priority needs would include those items that would assist fire departments in ISO classes 9 and 10 improve their community fire protection rating per the needs assessment conducted by the State Fire Marshal's Office.

The anticipated benefits include better equipped fire departments, replacement of old apparatus and lower ISO ratings. Some rate payers should qualify for reduced insurance rates if their local community ISO rating is lowered.

ADMINISTRATIVE IMPLICATIONS

PRC does not identify any administrative implications. However, making allocations from the grant fund and participating in the grant council would increase workload.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 515 duplicates House Bill 466.

TECHNICAL ISSUES

There is no requirement to report on the activities of the grant council or on the benefits of the increased distributions.

ALTERNATIVES

Instead of setting up the distribution to the fund, the Legislature could appropriate the needed annual amount to the fire grant fund for awards to districts with critical needs.